

97-84154-1

U.S. Congress. House.
Committee on Agriculture
Agricultural relief

Washington

1920

97-84154-1
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

308	U.S. Congress. House. Committee on agricul-
Z	ture.
Box 89	Agricultural relief. Hearings before the Com-
	mittee on agriculture, House of representatives,
	Sixty-sixth Congress, third session. Friday,
	December 17, 1920. Washington, Govt. print.
	off., 1920.
	40 p. 23cm.
406691	
	Only Ed.

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 8/6/97

INITIALS: TLM

TRACKING #: 21981

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

BIBLIOGRAPHIC IRREGULARITIES

MAIN ENTRY: U.S. Congress. House. Committee on Agriculture

Agricultural relief

Bibliographic Irregularities in the Original Document:

List all volumes and pages affected; include name of institution if filming borrowed text.

_____ Page(s) missing/not available: _____

_____ Volume(s) missing/not available: _____

_____ Illegible and/or damaged page(s): _____

_____ Page(s) or volume(s) misnumbered: _____

_____ Bound out of sequence: _____

☒ Page(s) or volume(s) filmed from copy borrowed from: Library of Congress
(pages 38-40)

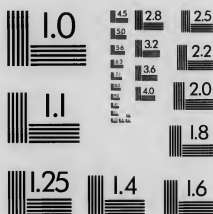
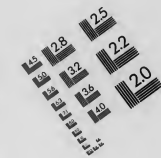
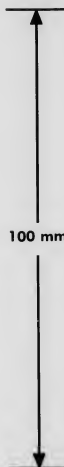
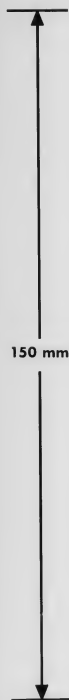
_____ Other: _____

_____ Inserted material: _____

TRACKING#: MSH21981

FILMED IN WHOLE
OR PART FROM A
COPY BORROWED
FROM:
LIBRARY OF
CONGRESS

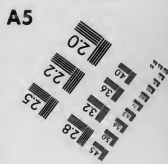
PM-MGP METRIC GENERAL PURPOSE TARGET PHOTOGRAPHIC



ABCDEF GHIJ KLMNOPQRSTU VWXYZ
abcde fghij klmnopqrstuvw xyz
1234567890

1.0 mm
1.5 mm
2.0 mm

2.5 mm



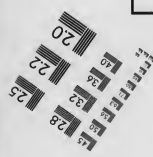
PRECISIONSM RESOLUTION TARGETS



A&P International
2715 Upper Afton Road, St. Paul, MN 55119-4760
612/738-9329 FAX 612/738-1496

A4

A5



308
Z
Box 89

AGRICULTURAL RELIEF

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS

THIRD SESSION

FRIDAY, DECEMBER 17, 1920



WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

GILBERT N. HAUGEN, Iowa, *Chairman.*

JAMES C. McLAUGHLIN, Michigan.
WILLIAM W. WILSON, Illinois.
CHARLES B. WARD, New York.
WILLIAM B. MCKINLEY, Illinois.
ELIJAH C. HUTCHINSON, New Jersey.
FRED S. PURNELL, Indiana.
EDWARD VOIGT, Wisconsin.
MELVIN O. McLAUGHLIN, Nebraska.
CARL W. RIDDICK, Montana.
J. N. TINCHER, Kansas.
WILLIS J. HULINGS, Pennsylvania.
J. KUHIO KALANIANAOLE, Hawaii.

GORDON LEE, Georgia.
EZEKIEL S. CANDLER, Mississippi.
THOMAS L. RUBEY, Missouri.
JAMES YOUNG, Texas.
H. M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk.*

MR 21 Apr. 1921.

CONTENTS.

Statement of—	Page.
F. J. Hagenbarth.....	5
S. W. McClure.....	21
G. M. Thurmond.....	24
W. H. Lyon.....	27

AGRICULTURAL RELIEF.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Friday, December 17, 1920.

The committee met at 10.30 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

Present: Members of the committee; also, Mr. F. J. Hagenbarth, of Salt Lake City, Utah, president of the National Wool Growers' Association and member of the executive committee of the National Live Stock Association; Mr. S. W. McClure, Nampa, Idaho, manager of the Columbia Basin Wool Warehouse Co. (cooperative); Mr. George M. Thurmond, Del Rio, Tex., secretary of the Texas Sheep & Goat Raisers' Association; Mr. Prager Miller, Roswell, N. Mex., president of the New Mexico Wool Growers' Association; Prof. J. M. Wilson, McKinley, Wyo., president of the Wyoming Wool Growers' Association; and Prof. W. C. Coffey, Urbana, Ill., animal husbandman, University of Illinois, and others.

The CHAIRMAN. The committee has been called together to further consider meat-packer legislation pending before the committee, and also measures having for their object relief for agriculture industry during the present crisis. Pursuant to the action taken by the committee, we will now hear from Mr. F. J. Hagenbarth.

STATEMENT OF MR. F. J. HAGENBARTH.

Mr. HAGENBARTH. Mr. Chairman and gentlemen, the live-stock people, you might feel, are asking for preferential treatment here and, we think, we are before your committee. But we feel that if the Agricultural Committee can not be interested and is not interested in the live-stock situation, we do not know of any committee in Congress that would be. Now, we are in identically the same condition as every other industry in this country, as applied to the general commodity situation, of having low markets or demoralized markets and also facing the curtailment of credits and the difficult financial situation. That far we are on all fours with every other industry, or the great bulk of the industries. But in addition to that, what we wish to impress on you gentlemen is that the live-stock people are facing two other conditions that no other industry or practically no other industry except farming—agriculture—is facing. One of those is that it is utterly impossible, if things do not go right, for us to close down our plant. A manufacturer can close down his plant. His overhead goes on, it is true, but he can close. A miner can shut down his mine. But the live-stock man can not close down. He can not put his cows or his sheep in the warehouse and wait for

future developments of the market. They have to be cared for; they have to be fed; and the expense goes on. Now, that is true generally of the farmer; he can not shut down. He has to carry on his farm. He need not, perhaps, put in a crop that has no value, but he has certain expenses he must meet in order to keep up his farm.

In addition to the general market conditions, we have had this to contend against, in the Northwest particularly, in that great group of States known as the Rocky Mountain Range States. In the winter of 1918-19 we had no snow in the mountains up there. As you know, our crops are raised in the West through irrigation. That drought through the winter was something unheard of in the Rocky Mountain regions. You could go out in the Yellowstone Park all winter long and, where there is usually 4 to 6 feet of snow, there was practically none. The result of that lack of snowfall was that the big irrigation streams out there dried up. In the Snake River—which is the greatest irrigation stream of the United States and one of the greatest of the world, not excepting the Nile itself—the water got so low last fall that the women and children in the city of Idaho Falls, where ordinarily, when the circuses would come to town, they would turn their elephants out and their hippopotamuses out and let them swim in the river—that river got so low that the women and children walked across last year, just so they would be able to say they had done so in after years. As a result of that there was a 50 per cent loss in the hay crop and in crops of all kinds. That drought continued all during that summer. There was not one drop of rain in the entire Rocky Mountain Range from the beginning of spring until in September. That meant very poor liquidation; that meant lambs were 20 per cent to 25 per cent underweight when they went to market, and that meant 30 to 35 per cent depreciation in quality. That was also true of the cattle, so that when they went to market in the fall they were all feeders; there was no fat stuff, but cattle that were of very indifferent and very poor quality.

That resulted, as I say, in very poor liquidation; they got very small returns. They might have stood that. That was all right; we meet those things occasionally, but never so severe. But, strange to say, in October all the moisture that failed to fall before began to fall, and in October we had winter with snow falling 2 feet deep all over that country, with half a crop of hay and going in on feed three months ahead of time. That winter continued on until the following May. The net result of that condition was an increase of from 500 to 700 per cent in the feed bill. Our hay that normally costs us from \$4 to \$6 a ton, at the maximum, went up to \$20 and \$30 a ton; and, before spring, some of them were paying as high as \$40 to \$60 a ton for hay. Now the live-stock man, cattle and sheep, had to take his choice either to lose his herds through starvation or to buy hay at these prices. To pay these bills they went to the banks and loan companies and executed chattel mortgages on their sheep and cattle in order to get money to pay these extravagant costs.

Now, they were not inflating, they were not speculating. The little fellow out on the range with a few cows is not a speculator. He raises a few cows from year to year and a few lambs from year to year and has a little homestead and a little range and goes on; but when he had to pay this feed bill, he had to go to the bank. They

figured on a sale of their wool when spring came and promised the bankers—when spring comes we will sell our wool and liquidate part of this indebtedness. But when spring came, gentlemen, overnight you might say, in 10 days the wool market went to pieces and up to this hour 93 to 95 per cent of the wool clip of the West is still in the hands of the growers with no market and, consequently, no liquidation.

The result of this horrible winter was the physical condition of the ewes and cows became so demoralized that they had less than a 50 per cent lamb crop and they had a very low calf crop. Steers came out of the winter walking skeletons. They had just feed enough to keep them alive. They were in a wretched condition, not fat, and did not gain their normal weight. I saw steers out there with their winter hair on, underweight, away up into August, where usually they all shed in June and begin to put on fat and are ready for the market in October. There was no such thing this year. They were a miserable lot of trash. And when the lamb market opened up we figured a 50 per cent lamb crop.

The CHAIRMAN. How do you account for that?

Mr. HAGENBARTH. The winter conditions so demoralized them physically. They could not afford to feed and keep them fat; that would be absolutely ruinous. As it was, those sheepmen have come out of that winter with a \$9 per head average mortgage by their work, and the cattlemen with an average mortgage of \$40 per head, and in some instances running up as high as \$60 per head.

The CHAIRMAN. You speak of "per head." By that do you mean the average?

Mr. HAGENBARTH. The average of the total herd and the average of all the cattle in the West. And now that condition I have described is a result of an act of God—their weather condition. The sea wall washes away at Galveston, Tex., and we all rush to the relief of the people of Galveston. That is an act of God. This weather condition out there, this unparalleled drought, was an act of God in the same manner. The live-stock men could not obviate that by any process on earth.

I had not finished telling you about the lamb market and what caused the demoralization of the lamb market. We figured with a 50 per cent crop of lambs we would have big prices. We were justified in thinking so. With half a crop and a good consumptive demand, we should have received very high prices for that 50 per cent crop; but in the meantime England—and I have heard it stated there was connivance—through the assistance of our State Department here and on behalf of international trade—our State Department entered into an arrangement whereby England, who had purchased all of the New Zealand lamb crop, mutton crop, began unloading her lambs in this country, and during this year the increase of lamb and mutton shipments has been 1,022 per cent.

To-day, out of a total of about 3,000,000 head, including the last shipment that came in the other day, there are 1,500,000 carcasses of lamb in cold storage in New York City, held principally by the New Zealand Steamship Co., an English corporation—and other ships loaded and coming in between now and January. They have got the country so full of lamb that they can not sell it all and are holding it in cold storage and are going to pile it in this coun-

try, feeling that when a tariff is passed they will get that much more for it. In the meantime they have demoralized our market here at home for our lambs. Instead of getting high prices for lambs, we have got the lowest price we have had since prewar levels. Our lambs are selling to-day at 11 cents—fat lambs, in Chicago—when they should be selling for 20. And the strange part of it is, gentlemen, that the consumer is paying more money to-day for lamb chops, mutton, and beef than he did in 1919. The wholesale price of this stuff has gone off around 50 per cent to the grower, on the hoof, whereas the retail price has advanced 19 per cent since last year. Now, that is conclusive evidence that the price to the producer has nothing to do with the price to the consumer in the case of meats, because these prices have been lower, not yesterday or the day before, but for six months—the reduction in prices has been going on for nearly a year.

Now, the net result of these conditions is that the live-stock man, instead of being able to sell from his product enough to derive funds with which to liquidate his bank loans, merely got enough to pay his current running expenses. He did not get enough for that, considering the fact he had to go into this winter again with another winter's expense—his cowboys and herders and labor, his taxes and other expenses going on, and he has to borrow additional funds. Now, the banks have reached the limit. The banks and loan companies have stood by the live-stock companies loyally, and they have gone to the limit. They say to the wool man to-day, "You say you will need hay to feed your stock this winter. How are you going to pay it? You have not paid last year's bill." "Well," he says, "we expect to sell our wool this spring." The banker says, "How are you going to sell wool, when you have not sold last year's wool? What justification have you for saying you are going to sell your wool this spring and no market, and they will begin to shear in Texas and the Southwest next month and February?" We say, "We have hopes." But the bankers can not loan money on hopes.

Now, every possible thing that can be liquidated, gentlemen, has been liquidated. The sheep man, for instance, who ordinarily keeps back a considerable percentage of his ewe lambs for breeding purposes to maintain his herds, to take the place of the old ewes that have reached maturity and must be disposed of, to keep on producing, was compelled to ship ewe lambs to the market in order to get money to pay his interest and running expenses. The cattle man has shipped every steer he had; where normally he might keep a 2-year-old steer so that he might be 3 years old at the time he marketed it, he has been compelled to ship his 2-year-olds and yearlings, and even down to calves. Thousands of calves have gone to market in order to get money to pay current running expenses.

It has gone further than that, gentlemen. The bankers who have been carrying this load have reached the point where they can go no further and they are saying, "Gentlemen, we can not renew your paper. We can not sell it, we can not do anything with it; we have reached our limit. You have got to liquidate, to some extent at least." The result of that is that the ewe-breeding animal and the cow-breeding animal is being sacrificed and going to market, and we are destroying our plant for the future production of meat and wool in

this country just as fast as we know how, with no possible relief in sight in the way of markets. For instance, on wool, with a two years' supply of wool in this country to-day, including our coming spring crop of wool, which will soon be coming off the animals, and other large imports on the way to this country, with a world's supply of 2,000,000,000 pounds hanging over our heads in New Zealand, Australia, South America, and South Africa coming into this country and we paying them an import bonus of 30 to 40 per cent, how can you expect a wool market.

Mr. McLAUGHLIN of Michigan. What is that import bonus you speak of?

Mr. HAGENBARTH. The difference in exchange. For instance, England goes to Australia and buys \$3.50 worth of wool, brings it into the United States, and sells it for \$4.86 in our gold. We are paying them a bonus for bringing this stuff in. To illustrate what that means in specific instances, we have one grade of wool in the West, which is known as quarter blood, which comes from the animal bred largely for its mutton—a combination of wool and mutton. That wool is sold to-day in Boston, on the basis of wools from South America and Buenos Aires, for 9 cents a pound. Well, you would say offhand, that is not so bad, 9 cents a pound. Seven pounds to a sheep would be 63 cents a head, and a man with 10,000 head of sheep would get \$6,300 for his wool. That is pretty good pay. But that is the superficial view. Let us analyze it. It costs that fellow from the West, from Wyoming, Iowa, and Oregon, 6 cents a pound to lay that wool down in Boston. Deducting 6 cents from 9 cents, you will find that the grower receives 3 cents a pound net for his wool.

Mr. YOUNG. Is that 6 cents freight charges?

Mr. HAGENBARTH. About 3 cents freight charges and 3 cents selling charges, insurance, warehouse charges, etc. And the growing costs a little more than 6 cents. On the other hand, the fellow from New Zealand, on that same class of wool, gets \$12.50 a hundred, which is 12½ cents a pound. He gets 9 cents in Boston and a 40 per cent exchange advantage as an import bonus.

Now, take it in the case of cattle, and the figures submitted by the Bureau of Markets show that there has been a 27½ per cent increase in liquidation during this year—27½ per cent increase in shipments to the market. That stuff is not going back out to the farmers as usual—a large proportion of it. Some of it is, but very little. They are being killed, slaughtered, and our future meat supply is being dissipated. The records show—Dr. Wilson can give you those figures—that sheep have sold recently—this is an extreme case, but it shows what the market is and we can not help it; it is a fact—at a price that brought 33 cents a head in Chicago. Gentlemen, it is unbelievable—ewes that weighed 93 pounds; not scrawny ewes with nothing but a skeleton covered with skin, but ewes weighing 93 pounds. Any of you gentlemen will know that ewes weighing 93 pounds must have some flesh. That is a good average condition of a western ewe. I want to put in a statement here by one of the stable firms in Chicago that has been in the business for a great many years, and the largest individual handlers of sheep in the United States, Knollin & Co., dated December 6. They say:

The sheep market is even worse than the lamb trade. Choice, big, fat, heavy, native ewes are selling at 4 cents and thousands of cull to medium ewes from 2 to 3½ cents.

Those are the ewes that the people are shipping in for liquidation purposes that they must get rid of in order to get some funds.

We believe we have solved the sheep business. Quotations on the Chicago market show tankage is selling at \$80 to \$90 a ton.

Now, gentlemen, tankage is one of the lowest products, the cheapest product made by the packers. The bones that are ground up for fertilizer purposes will pay more money than that and bones for manufacturing purposes sell for more money. There is only one product lower than tankage and that is fertilizer. Tankage is made from all the bones and refuse products that are thrown into a tank and boiled down and used for the feeding of hogs by the farmers.

You can buy the best native ewes here at \$80 and the bulk of the ewes at \$50 to \$70 a ton, so we advise our friends who are feeding hogs to kill the sheep and feed them to the hogs, as it is the cheapest feed that you can get, much cheaper than tankage and fully as good; then you have the skins besides.

Mr. McLAUGHLIN of Michigan. What does this writer mean by saying "He has solved the problem"?

Mr. HAGENBARTH. You will see a little later.

There is nothing on the list as cheap as these fat native ewes now. Not only that but the packers say they can not sell the mutton, and if you come to Chicago and buy a few loads for feed it will help people who have sheep to market later on.

That is his idea, that instead of letting this stuff go on an already overloaded mutton market, which people won't buy for consumptive purposes or eating purposes, that they had better take that load off the market and feed the mutton to hogs so that there will be more room for the other stuff when it comes in for consumption by the people.

Now, this condition is unparalleled; we have never had anything approaching it. You will ask, "Why is that? That sounds ridiculous to me." Why shouldn't it be so, when we have imported 3,000,000 carcasses into the United States and a million and a half of them are now in storage, hanging over the market. The fellow who buys the sheep to sell the retail trade says, "Well, here we have an abundant supply to draw from; we will use this heavy weight of foreign importations to fight the domestic supply with—and they are doing it."

Mr. YOUNG. In a former part of your statement you said these shipments from foreign countries were brought about by connivance—was the expression you used—of the Secretary of the State Department and foreign Governments. I wish you would expand upon that a little bit and let us know what is in back of that.

Mr. HAGENBARTH. That was an unfortunate word. I did not intend that in any critical sense. I think at the time it was wisely done. I am not critical, gentlemen, and am not here for a critical purpose.

Mr. McLAUGHLIN of Michigan. What was it?

Mr. HAGENBARTH. We were just talking about the choice of a word that perhaps in a sense I unthoughtfully applied. It was not intended in that sense. Through an arrangement with the State Department—and I think perhaps at the time it was advisable; it looked like it—we wanted to increase our foreign trade and every effort is being made to increase our foreign trade. But when you find you have made a big mistake there is no harm in stating facts.

There is harm in stating motives, and I do not want to be understood as being critical, but simply as stating facts. In any event, the large shipments have come to this country and they are here.

Mr. McLAUGHLIN of Michigan. You speak of an arrangement that was unfortunate in its results?

Mr. HAGENBARTH. Yes.

Mr. McLAUGHLIN of Michigan. What was the arrangement?

Mr. HAGENBARTH. To allow foreign importations and to encourage foreign importations of meats into this country to lower the cost of living, at which we are all aiming. It has not had that effect. The stuff has come in and destroyed the producers' market and the consumer has derived no benefit, and we have demonstrated that was a great mistake.

Mr. McLAUGHLIN of Michigan. It might not have been necessary or advisable to encourage those importations, but was there any way by which they might have been refused?

Mr. HAGENBARTH. Oh, yes; I think so.

Mr. McLAUGHLIN of Michigan. Under the law as it exists to-day?

Mr. HAGENBARTH. I think so. Of course, we have passed that stage, as I said before, and I am not critical and am not saying it was not a good thing at the time and it looked like a good thing, and we were not so badly upset about it—the producers. If we had had a short crop in this country, prices would be reasonably high and the American people want cheap meat, and it is all right for them to have cheap meat just as long as we can live out there and produce it. But if we are short on a certain product and bring it into the country so as to increase that product, so that prices won't go beyond reason, I think that is a fair proposition.

Mr. McLAUGHLIN of Michigan. But you say under existing law those importations could have been refused, forbidden, shut out. How?

Mr. HAGENBARTH. We thought through the powers of the War Trade Board, as a war measure, that both importations of wool and meats, when they became excessive, could be kept out.

Mr. McLAUGHLIN of Michigan. Had that been done at any time in that way?

Mr. HAGENBARTH. I do not think so, but I think they had the power.

Mr. YOUNG. Did not both of those organizations cease to function prior to the condition that has developed here? Nearly all the war boards had ceased to function at that time.

Mr. HAGENBARTH. But they probably could have been made to function because the law was not repealed.

Mr. YOUNG. But the organizations had already been dismantled and the forces had gone home.

Mr. HAGENBARTH. I think there was a residuary legatee of their powers here, in the way of the State Department. Gentlemen, please do not misunderstand me; I am not here to criticize, I am trying just to state facts and how they affect us.

The CHAIRMAN. The department, or administration, made an effort to reduce the cost of living. Thirty-five million dollars of supplies were placed on the market through the War Department presumably at a large loss to the Government.

Mr. HAGENBARTH. That was justifiable, I think. But here is the point we make: No matter what the causes were, whether it could have been avoided or could not, that is back of us. What we are facing is the present condition and the future. Let us forget all about the past and forget all about the Secretary of State—we all make mistakes—and forget all about Secretary Houston. We will forget all about all of those things and say, "Here, that is back of us; now we have a condition ahead to face." Does this committee want to save the breeding ewes and breeding cows in this country for a future meat supply, or will you take the ground that conditions are such those fellows can not raise meat and can not raise wool, so we will let it go and we will get meat from somebody that can; we will get meat from South America and ewes from Australia?"

Mr. TINCER. Assuming the whole committee is friendly and do want to preserve the industry, what remedy would you suggest—what legislation?

Mr. HAGENBARTH. I want to establish the premises to make clear to you gentlemen our position, and then to suggest the remedy. Now, our remedy is this, and we feel, under present conditions, with an overwhelming supply of meat in this country at ridiculous prices to the producer, with a two years' supply of wool, there is no occasion on earth for any more wool nor any more meat coming into this country pending the writing of a tariff this coming summer or fall, and that an embargo should be placed on those imports and save the live-stock industry.

Mr. JACOWAY. You think these products are coming over here in anticipation of the tariff that will be passed?

Mr. HAGENBARTH. I think so; I think they are piling the meats up for that purpose. History shows that thing has been done before. If you will go back to 1897, you will find they brought in, in three months, 300,000,000 pounds of wool alone, in the grease, hundreds of millions of pounds of yarn, manufactured cloths, and other things, and piled them up, feeling that a tariff bill was going to be written by McKinley or the McKinley administration. I am not talking politics, but business facts. Immediately after that bill was passed the imports dropped back again to 150,000,000 pounds, and prior to that they had been as low as 175,000,000 to 150,000,000, and so on. Why shouldn't they? You and I can do it. You can buy wool in Australia for a certain price, whatever the price is—and it is mighty low right now—

Mr. JACOWAY (interposing). Will you state that price?

Mr. HAGENBARTH. For the very best western wool—that is, wools competing with the very best western wools—the top is 20 cents a pound, which nets the grower less than 14 cents, and ranging down to 9 cents a pound for quarter bloods, one of our cheapest grades, which nets the grower 3 cents a pound. The average of the various qualities, net, to the grower, would be about 8½ cents a pound out in the West.

Mr. JACOWAY. Does this two year's wool supply that you refer to mean that which is now on hand, or anticipating the fall clip?

Mr. HAGENBARTH. I will give you the exact figures and then there can be no mistake about it. The Bureau of Markets report shows, in round numbers, 521,630,000 pounds now on hand, actual wool in

the warehouses, in the hands of dealers and manufacturers. In addition to that there is 175,000,000 pounds in the hands of the growers and the cooperative farming, wool marketing, and cooperative selling concerns of that kind.

Mr. TINCER. You recommended an embargo to the Ways and Means Committee, did you not, on these products?

Mr. HAGENBARTH. Yes, sir.

Mr. TINCER. And they took it up with the State Department, and the State Department decided that would violate our treaties with foreign countries, and now the Ways and Means Committee have under consideration the passage of a temporary tariff bill in such a way as to protect this the best they can. Is not that your understanding of the matter?

Mr. HAGENBARTH. Yes. But will you excuse me a moment while I finish my answer. In addition to this quantity of wool, there is now afloat and will land in the United States in a few days 27,000,000 pounds of wool destined for our market. And at the very lowest calculations, in the hands of the growers and in the hands of the packers, on pelts from slaughtered animals, or animals from which they remove the wool later on and which comes into the wool market, there are 25 to 40 million pounds. We can not tell exactly, but we know there are more than 25,000,000 pounds. The total of those figures, gentlemen, is over 1,000,000,000 pounds of wool.

Mr. JACOWAY. What is the American consumption of wool?

Mr. HAGENBARTH. Our normal consumption will range around 450,000,000 pounds a year; sometimes a little less and sometimes a little more. Last October just past our consumption was 33,000,000 pounds, which is below normal. So that we have now in addition to the figures I have given you, of wool actually in sight and on hand, a clip coming this spring of not less than 270,000,000 pounds.

Mr. PURNELL. That is not included in the 1,000,000,000 pounds?

Mr. HAGENBARTH. Yes.

Mr. PURNELL. I was just going to ask you if that represented the total supply in the United States?

Mr. HAGENBARTH. No; we have to add that 270,000,000 to make the billion. They begin to shear down in Mr. Thurmond's territory pretty quick now, in February, and that will begin to move in February, March, April, and May, and that 270,000,000 pounds will all be in by July 1—which is not far off as the wool business goes. Now, why and what reason can we give for bringing in additional volumes of wool when we have a two-years' supply on hand and the grower is in his present condition? Gentlemen, there is no argument for it.

To get back to Mr. Tincer's question now: We are not statesmen and we are not economists; we are cattlemen and sheepmen. That is my business. I have been in it for 35 years and raise both cattle and sheep. All these gentlemen do. And we know the condition of our own industry and know some of these facts we have been citing to you about the tremendous weights of wool and meats in this country, and are asking you for relief. It is a short cut; it is radical, but our condition is radical. We are in a mighty bad fix out there. Our belief is that an embargo is the thing, and the theory of the American producer and live-stock man is that a great deal more important than any foreign trade or anything else is our own firesides, and if we are

not going to take care of this situation out West we are ruined—the live-stock men and the bankers and the whole fabric. That sounds like a broad statement.

I am nearly through, but I want to make that clear, because we only have three industries out there—mining, farming, and live stock—and farming depends on the other two. We can not raise hay and ship it East. Omaha is the market for alfalfa, and it costs \$15.50 a ton to land that hay in Omaha. We are shut out by the high freight rates now. The Iowa farmer is going to kick about the price of wheat that he is getting. Think of the price for wheat we get out there, when we have to pay the freight rate from the Rocky Mountains down to the big wheat market, and see where we get off. That is the condition. If we do not feed this stuff to the live stock, we are out of business out there.

Mr. FURNELL. Are any of the stock raisers in the country acting on this advice and feeding their sheep to the hogs?

Mr. HAGENBARTH. This development has just come up. This letter was dated December 6.

Mr. TINCER. The stockman who has sheep has not got any hogs.

Mr. HAGENBARTH. There is only one other statement that I want to make. If the wheat farmer—and our sympathies are with him and we think he should have relief from these awful conditions he is suffering—loses his wheat crop entirely—and God knows we would not want anything like that to happen—another wheat crop can be raised next year by that farmer, under what we hope will be more favorable conditions.

But when you kill a cow and kill an ewe, that cow can never have another calf and the ewe can never have another lamb, and your wool production ceases and you have destroyed your plant. You have not only done that but you have gone further, you have destroyed your citizenship in that Rocky Mountain territory, because that is their business and the only thing they can do economically with their ranges, mountains, and farms, and so on—the only thing that they can profitably engage in. They are pastoral people. We have no manufacturers; we are pastoralists, and this thing not only destroys the cows and sheep if it goes on, but it destroys the citizenship of that country.

Mr. McLAUGHLIN of Michigan. Is there any duty suggested which you think would be equivalent to an embargo or serve the purpose you wish to accomplish?

Mr. HAGENBARTH. Gentlemen, we have to be reasonable about that. It is a pretty broad question. Of course, an embargo is a pretty stiff proposition—we will admit that. At this time I do not think an emergency tariff should be 1 penny less than 16 cents a pound on grease wools, 32 cents a pound on washed wools, and 48 cents a pound on scoured wools—on the scoured basis, briefly stated. Of course, this tariff question is a big question and has a lot of ramifications.

Mr. YOUNG. Would the establishment of those rates really mean an embargo?

Mr. HAGENBARTH. Oh, no; it would mean a stabilization of the markets to a certain extent. Here is what it would mean: Say you are a wool manufacturer, and you started out last August to buy some wool. You paid for that wool 70 cents a pound landed in Bos-

ton. By the middle of September the wool you bought is worth 50 cents a pound; by the middle of October, 30 cents a pound; and by the middle of November, it is worth 20 cents a pound. Then you begin to wonder where the bottom of this thing is and you simply say, "Here, I am not going to buy any more wool; I am not going to stock up under these conditions." That is the effect on the whole trade. Nobody could tell where the bottom was. Every time a fellow gets hard up in South Africa and he has to have a little money, and every time a fellow gets hard up in Argentina, and he has a few pounds of wool to ship, he says, "I will ship this up to the United States—they pay us a bonus for shipping it in—and I can get some gold for it." The whole world is looking to us for a market for their surplus stock in order to take our gold at the depreciated exchange, and they sell their products to us all on a depreciated exchange. Why shouldn't they? It is the sensible thing to do. The manufacturer is absolutely uncertain at what price he can buy wool. This thing has been getting worse and worse and worse. Last Monday, on the 13th, in the London wools auction, wools declined from 10 to 20 per cent, just here, again, on top of the other declines we have had. So that the manufacturer says again, "I thought bottom had been reached, but now there is apparently no bottom to the thing."

Mr. YOUNG. And he has virtually withdrawn himself from the market.

Mr. HAGENBARTH. Absolutely, except for certain specialties for which he goes in from hand to mouth. It is a hand-to-mouth policy.

Now, when you pass this emergency act, you have at least done this: you have notified the whole trade that the bottom has been reached and they will begin buying.

Mr. YOUNG. Let us take another side of that. We have a great many surplus commodities that must find a market in European countries. Suppose we adopt some drastic measure here to take care of the situation you speak of—

Mr. HAGENBARTH. That is not drastic.

Mr. YOUNG (continuing). What effect will it have on the world of other commodities that we produce here, on which the people are dependent for their livelihood; what effect will it have on them, when they have to go to the European countries that make a market for this great surplus?

Mr. HAGENBARTH. It won't have any more effect than the effect on us of the fact that England now has and has had for 50 years an embargo on the importation of live animals into England. We do not object at all. It won't have any more effect than the effect with us that Canada, five or six days ago, declared an embargo on the import of hides from all over Europe, Asia, and Africa. Any merchant, or any nation or any man will buy where he can buy the cheapest and get the best terms. We have passed that stage where men figure if a country is going to take care of itself or to write a tariff, they will not buy from them. They have a right to do that. That might perhaps have been an objection to an embargo, but not to this proposition; this is not an embargo.

Mr. YOUNG. There is where I see the danger of an embargo if under our system we could write an embargo, in respect to our treaties. Then there was the alternative proposition to write these rates

you speak of in a tariff and my question was whether these rates would virtually mean an embargo. If they did mean an embargo, then we would be confronted with the proposition that we have a great many surplus commodities in this Nation produced by the citizenship of this Nation that might likewise be affected in the foreign markets should they adopt a policy in the foreign markets of taking care of their industries.

Mr. JACOWAY. Suppose this policy of yours is adopted, what would be the effect on cotton?

Mr. HAGENBARTH. I think it would help cotton immediately.

Mr. JACOWAY. How?

Mr. HAGENBARTH. In this way: A great many manufacturers that are now shut down, not operating, use a very considerable quantity of cotton in their product, for certain of the lower grades of goods and some of the very fine grades of goods—in fact, all of these grades of goods. For instance, in the suit your friend has on now, that white stripe running through there is cotton.

Mr. PURNELL. By —, I bought it for wool. I will go down and see my tailor about that. [Laughter.]

Mr. HAGENBARTH. They could not very well put in a white stripe like that except with cotton. And anything in my judgment that helps the farmer, for instance, so that he can start buying cattle and sheep and feeding them, that starts this thing going and overcomes stagnation and kills inertia will help all generally. If the cotton man could get a reasonable price it would help us, because he probably would buy some woollen clothes and so on all down the line. You have to help where you can and who you can, and you can not say if you don't help the cotton man—and I think it is true that it will directly help him—why let this live-stock fellow go by the boards.

Now, we are not asking for profit here; do not misunderstand us. There is no possibility of making any profit.

Mr. YOUNG. You will be glad to get out?

Mr. HAGENBARTH. No; we want preservation, that is all. I want to put in the record a letter drawn up on behalf of certain live-stock and farmers' organizations sent to the President on December 11, and delivered to Mr. Tumulty. I will not take the time to read it, but I hope you gentlemen will take occasion to do so. The facts there I think if they are dignified enough to go to the President of the United States are dignified enough for this committee to read. And they are not marshaled here in the rambling sort of way I have given them to you, but our committee has tried to present a connected story to the President.

Mr. McLAUGHLIN of Michigan. Your statement is very interesting and has added greatly to our information on this subject, but I think very likely you are not familiar with the fact the jurisdiction of this committee is limited. These matters you speak of have been brought before the other committees that have jurisdiction of them, and is there anything of which this committee has jurisdiction that you have to suggest we can do?

Mr. HAGENBARTH. Gentlemen, as I said in starting out, you are the guardians, as far as the House is concerned, of the agricultural interests. We are part of the agriculture of this country, and we are under your care, and we appeal to you as our friends, as a committee

or as individuals or in any other way on earth, if you are impressed with the truth of this story to help us get relief in some manner. You are much more familiar with the procedure in this case than we are, and we have felt that the agricultural committee was peculiarly the committee to which we could appeal here. Now, all rules are sometimes set aside. The exception proves the rule, and I do not think it is out of the way for this committee to take a very peculiar interest in this live-stock situation.

Mr. McLAUGHLIN of Michigan. That is true, and we are impressed with what you say; but I thought possibly you had something else to suggest that would come directly within our jurisdiction.

Mr. HAGENBARTH. I do not know, unless your committee should report out a bill to fortify our position in the House. I think a bill coming from this committee, representing the sense of this committee, that a certain tariff should be written, would have weight with other Members of the House. I do not see why this committee should not be able to originate a bill as well as any other committee on an interest that is vitally and closely in their charge. My God, what good is an Agricultural Committee if it is not going to act on agricultural matters? Now that is the sense of it.

The CHAIRMAN. The members of the committee have given a great deal of thought to these various subjects, as their questions have suggested. I am sure that every member desires to do what he can to help the matter along. This embargo appeals to me, but I understood you to say that our present supply of wool is sufficient to supply the mills for two years.

Mr. HAGENBARTH. Yes, sir.

The CHAIRMAN. An embargo proposition now, then, is very much like locking the barn door after the horse is stolen?

Mr. HAGENBARTH. Oh, no; God, no! They will make a four years' supply if we do not stop them. There is the danger.

The CHAIRMAN. But is it not the fact that the wool industry and the lamb industry is practically ruined now? I think it goes without saying that our people can not compete with New Zealand and the various countries now importing lambs and wool into this country.

Mr. HAGENBARTH. They are not ruined yet, but they will be if something is not done.

The CHAIRMAN. It is evident that they are up against it for two years.

Mr. HAGENBARTH. Oh, no. We begin consuming that wool right away, and the manufacturer who consumes it will figure in his judgment what the tariff on wool is going to do.

The CHAIRMAN. Evidently somebody has bought the wool, either the manufacturer or the speculator. Should we enhance the price, of course, it would be for the benefit of the speculator, but that is outside of the question. An embargo is not within the jurisdiction of this committee and, as Mr. McLaughlin has suggested, this committee would be glad to have suggestions of any legislation which would afford relief at the present time.

Mr. HAGENBARTH. I will make this suggestion, then, that this committee will report out a bill (and, if the committee desires and wants us to do it, we will formulate a bill to be presented to this committee) covering not what we think would amount to embargo rates

on these various products but business rates that will be within reason to take care of the wool, to take care of these various agricultural products that must be taken care of. Take wheat, for instance; I think it is a crime wheat should be brought down here from Canada at an import bonus and sold against the fellow in Dakota and Minnesota and throughout that country who is raising wheat. I think at least it ought to be equalized and there ought to be a tariff of 30 cents a bushel, which is the advantage they have.

Mr. PURNELL. If the market is glutted with wool and we have on hand a two years' supply now, who will purchase the wool on the sea now and wool that is going to follow?

Mr. HAGENBARTH. They are shipping that in in anticipation of a tariff. They are beginning now. It is a very simple arithmetical proposition.

Mr. PURNELL. They won't ship it in without a market for it, will they?

Mr. HAGENBARTH. Yes; because they know history will repeat itself, and as soon as a tariff is put on and they find the bottom is reached that then they will begin to manufacture. We have not yet reached the point in this country, but it looks like we are drifting that way if we are not already going back to the wearing of breech cloth, and they know that sooner or later people are going to buy clothes and must buy clothes, and they will prepare for that; but they can not do that until they know the bottom is reached. And it is continually dropping. Wools have dropped even below the foreign cost of production now, caused by people who have to have money. A fellow goes broke and he ships in his wool because he has to have money, and that is the unfortunate condition right now. I do not remember the exact amount the manufacturers now have in their lofts, but the major portion of the wool is in the hands of the wool growers and in the hands of their commission houses and representatives in this country—the major portion of it. The manufacturers have some, but of course the enterprising American manufacturer will get more.

Mr. YOUNG. Take the fellow shipping here from the other country: He is shipping here for his own account and holding it against the day when he hopes a change will come; he is not shipping here for sale!

Mr. HAGENBARTH. That is it. It is a wise thing. You and I would do it if we could and were in that business, if we had the money.

The CHAIRMAN. According to the figures furnished me, the manufacturers have about 520,000,000 pounds.

Mr. HAGENBARTH. No; that is in the hands of dealers and manufacturers.

The CHAIRMAN. But not in the hands of the growers. You said 575,000,000 pounds in the hands of the growers.

Mr. HAGENBARTH. No. There is something there that will have to be explained.

The CHAIRMAN. Will you give the exact figures in the record?

Mr. HAGENBARTH. A good deal of this wool called "in the hands of the dealers"—for instance, let us take a firm such as Halowell, Jones & Donald, in Boston—

The CHAIRMAN. You mean stored there by the growers—still owned by the growers?

Mr. HAGENBARTH. Yes; on consignment. That man is called a dealer and he perhaps owns 3,000,000 pounds of the wool he has. He has a total of 15,000,000 pounds, and 12,000,000 would belong to growers who have it there on consignment.

The CHAIRMAN. Would it belong to the growers or dealers?

Mr. HAGENBARTH. The growers; it would be in the hands of the dealers but owned by the growers.

The CHAIRMAN. The growers ship direct to the commission man?

Mr. HAGENBARTH. On consignment, just like the wheat farmer or the cotton man who sends his cotton or wheat to the commission man to be sold on commission.

The CHAIRMAN. That is the custom in the West?

Mr. HAGENBARTH. Yes. This year the dealers would not buy wool. This thing came suddenly and they would not buy it, so that the grower shipped down to them on consignment. Then when the Bureau of Markets give the figures there of so much wool in the hands of dealers, it is really wool that belongs to the growers. But there is a lot of wool in the West which is not shipped even and still remains in his bins. They could not afford to pay the freight and could get no advance on it, and it is still out in the West, and some of it out in the sage brush there waiting shipment that can not be moved at all.

(The copy of the letter to the President offered for the record by Mr. Hagenbarth is as follows:)

(Copy.)

WASHINGTON, D. C., December 11, 1920.

MY DEAR MR. PRESIDENT: It is with great temerity that the live-stock interests of the United States come before you at this time, and we can assure you that it is only in the face of the greatest exigency and forced by desperation that we do so.

While realizing the general deplorable condition of producers' markets upon practically all commodities in this country, we wish to submit that the situation as applied to live stock is more far-reaching and the danger of permanent and irreparable damage to this basic industry is very imminent unless radical measures are adopted very promptly which will prevent the excessive liquidation of breeding and immature animals which is now taking place.

We wish particularly to advise you that in that area west of the Mississippi River, comprising what is known as the range breeding and feeding grounds, which produces about 70 per cent of the wool and mutton supply and about 50 per cent of the beef supply of the United States the live-stock industry is facing annihilation.

These statements are not made in a general way but with specific reference to the actual facts as have been brought by competent witnesses to the attention of Congress through hearings during the past week before the Ways and Means Committee of the House and the Agricultural Committee of the Senate.

The live-stock producer is not only facing conditions of general commercial depression and lack of credit common at this time to practically all productive American industries, but is bearing additional physical burdens not shared in, to our knowledge, by any other industry. These physical conditions are twofold:

First, that, unlike the manufacturer or the miner, the live-stock producer can not curtail expenses and outlay by closing down his plant. His animals must be fed, however great the loss, or else he must ship to market and thus permanently destroy his plant. This is what is being done to-day and this is what we are striving to and must prevent.

Second, and applying more particularly to that group of States known as the Rocky Mountain and Northwestern Range Territory, there is the added burden of a drouth beginning in the winter of 1918 when there was a minimum of snowfall which curtailed water for irrigation of crops and which continued all

through the summer of 1919 and which was followed by a winter beginning in October and continuing until the end of April. Both the drouth and the winter following were the severest known in the history of the western range industry. The net result of these meteorological conditions increased the cost of carrying animals through the winter from 500 to 700 per cent and is evidenced by the fact that the average chattel mortgage indebtedness now carried by the 30,000,000 sheep in these States is at least \$9 per head and the average debt carried by cattlemen is conservatively \$45 per head. In addition there is the added burden of real estate mortgages.

This physical condition last described, which might aptly be called "an act of God," must be borne by the live-stock producer in addition to the added burden of having practically no market for wool and the demoralized, rapidly declining markets for live stock to which he must ship for liquidation purposes.

The live-stock markets have apparently lost their absorptive power. Prices have rapidly declined, thus forcing additional shipments for liquidation purposes; these shipments in turn are causing lower prices, and, again, further liquidation, thus creating a vicious circle. The evidence of credible witnesses before the congressional committees named shows that during the first week of December western range breeding ewes were sold at a price which, after paying freight, shipping, and selling charges, only netted the Wyoming owner 33 cents per head—an entire animal thus bringing less than the cost of one mutton chop. Quarter blood Buenos Ayres second clip wool was purchased in large quantities by one of the leading firms of Boston recently at 9 cents per pound f. o. b. Boston. The cost of shipping and handling similar wools from the western range territory, which produces 70 per cent of our wool clip, amounts to 6 cents per pound, so that the competing American grower would realize 3 cents per pound net for a similar shipment and for wools which cost 45 cents per pound to produce. These instances of actual commercial transactions could be indefinitely extended.

The shipment to market of cows, calves, and other immature beef animals is unparalleled.

The middle-west farmer who has corn and other feed crops to market and whose market is principally found through the feeding of live stock is afraid to use his credit for feeding purposes by reason of the constantly falling markets and lack of demand for his product when finished. Thus the animals shipped to market, instead of going out to the feed lots, are slaughtered. In the present difficult credit situation the feeding farmer naturally finds it difficult to convince his banker that money should be loaned for feeding purposes. The banker with a broader vision and more in touch with world conditions knows that during the year 1920 up to date that the increase in shipments of foreign lamb and mutton has increased, as shown by the Bureau of Markets, 1,022 per cent. Statistics from the same source show that imports of beef, fresh and frozen, and beef products from abroad are steadily increasing with a formidable increase in percentages.

The increased imports of fresh and frozen beef for the month of August was 50 per cent; for September, 62 per cent; and October, 156 per cent. Fats and oils for the months of July to October, inclusive, show an increase over 1919 of 160 per cent and steadily increasing. All other beef product imports show an increase of 1,000 per cent for the four months named. The average increase in imports of beef fats and beef oils for the 10 months of 1920, ending with October, as compared with 1919, show an average of 140.8 per cent. The increase of general beef products show an increase of 108.5 per cent. The serious feature of these imports is not the present volume so much as the steadily increasing proportions which they are assuming. In the case of lamb and mutton there have been imported during the year, as reported by the Bureau of Markets, 2,663,000 carcasses, with several ship loads from New Zealand and South America now in transit.

In the case of wool our imports during the past fiscal year were 427,000,000 pounds. On October 30 there were 27,000,000 pounds additional afloat bound for the United States, with other ships loading for the same destination.

These added imports of meats, especially lamb and mutton, are coming into the United States at a time when our cold-storage supplies of 48,000,000 pounds, principally composed of foreign frozen lamb, are the greatest stocks on record. Additional imports of wool are being added to an excessive supply already on hand and in sight, as estimated from figures of the Bureau of Markets, consisting of 900,000,000 pounds, exclusive of wools held by packers on pelts in storage, which will bring the total supply of wool now available

in this country up to and in excess of 1,000,000,000 pounds, which at normal rates of consumption is enough to supply our national requirements for the next two years to come.

That serious liquidation in live stock is taking place is evidenced by figures furnished by the Bureau of Markets, which show a 27½ per cent increase of shipments in 1920 over 1919 in the case of cattle and an increase of 32 to 35 per cent in the case of sheep and lambs. The latter figure is arrived at by taking into account the fact that the western flock master, although he had only a half a lamb crop this year, has shipped more than the normal number of sheep and lambs to market, thus showing that he is not holding the usual number of ewe lambs for the purpose of replenishing his flocks.

The combined effect of demoralized home markets plus the impending weight of foreign imports, which owing to the exchange situation practically gives the foreign importer a bonus on imports of 30 to 40 per cent, has been to destroy the financial credit of the live-stock producer and feeder. There can be no good reason why an already overstocked market for wool and meats should continue to be a dumping ground for the whole world at prices utterly ruinous to our home producer, and from which lower prices the middleman derives the major benefit and the ultimate consumer but little. The producer under these conditions must of necessity be refused credit; he must lose his courage and morale. The net result of the whole situation is that our breeding herds of both cattle and sheep are being decimated and liquidated.

Mr. President, on behalf of these herds and flocks and on behalf of the future meat supply of this country and in order to save the credit and banking structure and economic life of the great live-stock breeding and feeding areas of the United States, we appeal to you to call the attention of Congress to the serious situation and to declare an embargo against the imports of such commodities as are causing the present demoralization and which are a menace to our future.

We most respectfully suggest that in the event of any one crop being produced or sold at a loss that another crop may be raised another year, perhaps at a profit, but in the event that a breeding herd of cattle or a breeding flock of sheep is once slaughtered the plant is destroyed and production entirely ceases. The danger of this result is most apparent.

Mr. President, we submit these facts and this petition to you on behalf of the following organizations which have duly and authoritatively acted and we call upon you in this crisis for assistance:

National Wool Growers' Association, American Farm Bureau Federation, American National Live Stock Association, National Grange Patrons of Husbandry, United Range States Live Stock Association, Minnesota and Wisconsin Wool Growers' Association, Wisconsin Live Stock Growers' Association, Louisiana Wool Growers' Association, Maryland Wool Growers' Association, Idaho and Oregon Wool Growers' Association, Ohio Wool Growers' Association, New Mexico Wool Growers' Association, Kansas Wool Growers' Association, Texas Wool Growers' Association, South Dakota Wool Growers' Association, Arizona Wool Growers' Association, Rambouillet Sheep Breeders' Association, Illinois Wool Marketing Agricultural Association, Montana Wool Growers' Association, Pennsylvania Wool Growers' Association, New York Wool Growers' Association, Wyoming Wool Growers' Association, Iowa Wool Growers' Association, Michigan Wool Growers' Association, North Dakota Wool Growers' Association, Missouri Wool Growers' Association.

The CHAIRMAN. Thank you, Mr. Hagenbarth. We will now hear Mr. McClure.

STATEMENT OF MR. S. W. MCCLURE, MANAGER COLUMBIA BASIN WOOL WAREHOUSE CO., PORTLAND, OREG.

Mr. MCCLURE. I am manager of the Columbia Basin Wool Warehouse Co., which is a cooperative organization, at Portland, Oreg. We have a woolgrowers' cooperative concern, in which we finance the woolmen and sell their sheep for them.

I think there is nothing for me to add, except to explain this last question to Mr. Hagenbarth, as to how an emergency measure at this time will help the growers, in view of the fact we have a two years' supply of wool. Of the 1919 wool, it is my judgment as a man handling wool, that 95 per cent of the 1919 clip, shorn last spring in this country, is still owned by the woolgrowers. Now, to get our 1,000,000,000 pounds supply for two years we have included 270,000,000 pounds which will be the clip of next year. Therefore, we have to-day in the hands of the growers about 250,000,000 pounds of this year's wool plus 270,000,000 pounds of next year's wool, or 520,000,000 pounds. So of the total wool stocks now in the country and available, 520,000,000 pounds belong to the growers, or practically half of it. So that any legislation that may be brought about here to stabilize the wool market is going to be of assistance to the wool-grower; it will enable him to sell his wool.

Now we, as growers, do not ask the privilege of making a profit; we are willing to take a tremendous loss. All we ask is some market for our wool. We are absolutely unable to sell wool to-day at any price, there being no market for it whatever. In my own case, I am a small farmer and have about 700 sheep. I was unable to sell last year's wool; that is, my 1919 wool. I have been unable to sell this year's wool. So I have on hand, personally, two years' wool that I have been unable to sell at any price whatever. Now, unless something is done, I am going to have next year's wool; I will have three years' wool on hand that I am unable to find a market for.

Mr. YOUNG. Does the world need and can it consume the wool that it has on hand?

Mr. McCLURE. The world?

Mr. YOUNG. Yes.

Mr. McCLURE. Unfortunately, during the war there was a very great accumulation of most agricultural products, especially of meats and wool. The world's storehouses were filled up during the war and the world outside has a large supply. My purpose here this morning is to ask you gentlemen to do something that will enable the banks of the West to continue to finance the woolgrower. The banker to-day can not do anything for us; we have already borrowed all we ought to have.

Mr. PURNELL. Are the banks refusing to renew loans on this wool as security, or refusing to make new loans? There seems to be a difference of opinion about it.

Mr. McCLURE. Oh, yes. Take my case: My wool sold in 1918 at 60 cents a pound. When the 1919 clip came off I could not sell at any price. I took an advance from a wool commission house of 35 cents a pound and shipped it to them in 1919. That wool was then worth about 60 cents a pound. Now, it has just dropped, dropped, dropped down until to-day that particular wool is only worth 10 cents, and the commission house that advanced me this money in 1919 is asking me to pay back a portion of that advance. There is no place I can get the money and I can not pay it back. I wrote down and told them while I did not have any money with which to pay this advance back, I had my 1920 clip, on which I had drawn no advance whatever, and I would send that as additional security.

They said they did not want more wool; what they wanted was money.

Mr. JACOWAY. You stated before the committee of the Senate, as I recall, it was impossible for you people now to secure a loan at the bank for 15 cents by putting up wool as security with a chattel mortgage?

Mr. McCLURE. Exactly. The situation is this: The banker says: "Mr. McClure, you have two years' wool now on hand that you can not sell; how can I justify myself in loaning you money on next year's clip, when the market is already flooded and the ports are open to foreign wool." If you gentlemen will help us by closing the ports, in a measure closing the ports, the bank will then see that at some time in the future I am going to be able to liquidate my debt and it will come through with an advance on my wool. The situation is too serious with the banks, and they have been mighty fine about it.

Mr. HUTCHINSON. When you got an advance of 35 cents a pound was not your wool worth more than that?

Mr. McCLURE. My wool had sold at 60 cents a pound the year before.

Mr. HUTCHINSON. Your wool had sold at 60 cents a pound the year before, and when you got an advance of 35 cents a pound was not wool still worth 60 cents a pound on the market?

Mr. McCLURE. No, sir; it was not.

Mr. HUTCHINSON. And the man loaned you 35 cents a pound when there was no market?

Mr. McCLURE. There was no demand, but they thought it was worth what it was the year before.

Mr. HUTCHINSON. If they did that, they must be doing a fine kind of business.

Mr. McCLURE. No; I think they were playing safe when they were advancing 35 cents against wool which sold for 60 cents a year ago. The market had not opened, and they thought "We will take this wool and hold it until the market opens."

Mr. TINCHER. You think the time has now arrived when there should be some legislation by the American Congress which might be construed as protective legislation for the men engaged in production?

Mr. McCLURE. Exactly.

Mr. TINCHER. The big factories in the East and industry in the East have been built up by protection, and they probably will become interested in this legislation because they can not produce without the farmer.

Mr. McCLURE. Yes. Do not be misled by any talk to you about what it is going to do to the suit of clothes. The suit of clothes I am wearing is made out of my own grade of wool. At today's price it has 90 cents worth of wool in it. At to-day's price you can not get \$3 worth of wool into a suit of clothes. So the consumer is not interested here.

Mr. PURNELL. The consumer is not profiting by this?

Mr. McCLURE. No; he is not.

Mr. TINCHER. The way the consumer is interested in this: The eastern industries think to-day they are not much interested. But the

consumer evidently has to consume and he can not consume unless he can make the money in some way to buy.

Mr. McClure. Oh, yes.

The CHAIRMAN. Thank you, Mr. McClure. We will now hear Mr. Thurmond.

STATEMENT OF MR. GEORGE M. THURMOND, OF DEL RIO, TEX., SECRETARY AND TREASURER OF THE SHEEP AND GOAT GROWERS' ASSOCIATION OF TEXAS.

Mr. THURMOND. Gentlemen, I am secretary and treasurer of the Sheep and Goat Growers' Association of Texas, living in Del Rio, in western Texas. It might seem that it would be political heresy for one from Texas to be here asking for any tariff for protection.

Mr. McLAUGHLIN of Michigan. Politics has adjourned.

Mr. THURMOND. Absolutely. I am thankful to you for the expression. It is better than I could have put it.

The people of Texas are not in as bad a condition as our friends from the Northwest; but as illustrating the situation I want to read into the record this telegram, of date December 10, received from R. H. Martin, who is president of the association which I represent, and a ranchman:

Unless an embargo or tariff on wools promptly enacted will be ruinous to sheep and goat interests all over the United States. Now that agitation has been started, if nothing promptly done, will only serve to put foreign shippers on notice to dump their wool into United States before tariff relief can become effective and furnish knock-down blow to sheep and goat interests. I urgently appeal to you to leave no stone unturned to save ranchmen from inevitable ruin.

The rest of the telegram is personal. The condition of the sheepmen in Texas is just this: Our wools are in storage. We have sold practically none of them. We will take off another clip beginning about the middle of February and the shearing will continue through until the latter part of May. That clip, unless something is done to stabilize the market, will be in storage. On these wools the banks have advanced to the woolgrower the money he has used in carrying his flocks. When that wool is sold, those notes are liquidated; but until it is sold, they can not be liquidated. We are in that situation and we need help.

This committee has not within its jurisdiction those bills that would render us the aid, but these committeemen are Members of the House of Representatives and their vote will be cast, of course, upon the bills coming from the other committees. One of these gentlemen asked if there was anything that might be suggested that could come from this committee in the nature of a remedy. So far as the acute situation is concerned, perhaps the only measure that would relieve must come from your Ways and Means Committee and your Banking and Currency Committee. The bills pending in those committees, in my humble judgment, will be of great benefit to the agricultural interests generally, and especially the bill coming from the Ways and Means Committee will alleviate the situation by reestablishing confidence on the part of the financiers of the country in our plant. If we do not get that relief, our plant is going to be destroyed, because we are going to be required to sell our she stuff, and when we sell

our she stuff our plant is gone. That is the situation as I understand it and as I see it.

Now, what can come from this committee in my judgment is this: They are shipping in these New Zealand carcasses. They go on the block in this country and they are bought and the purchaser does not know whether it is New Zealand lamb or domestic lamb that he is purchasing.

Mr. HUTCHINSON. They are frozen meats; cold-storage meats.

Mr. THURMOND. Yes, sir. Now this committee might so amend the laws relative to the sale of those meats as to require the retailer to divulge to the purchaser, the purchasing public, when he is getting frozen New Zealand lamb or meats and when he is getting our domestic meats.

Mr. YOUNG. They bring over here the frozen carcasses. What business institution is handling that; the packing industry of our own Nation?

Mr. THURMOND. Only partly, I understand. They are consigned here to the New Zealand Steamship Co. and are on storage to the credit of that company in New York City.

Mr. YOUNG. Is that concern owned by foreign ownership or capital from this country?

Mr. THURMOND. I think by capital from England. That is my understanding. The English people have purchased, perhaps the English Government, this immense quantity of lamb.

Mr. McLAUGHLIN of Michigan. At what point in this country is that largely stored?

Mr. THURMOND. At New York City. However, I understand some of it is stored in Texas.

Mr. HUTCHINSON. Is there any mark showing where it is stored?

Mr. THURMOND. There may be a tag on it, but that does not follow it into your home or into the retail market.

Mr. PURNELL. There is nothing to indicate whether it is foreign or domestic meat?

Mr. THURMOND. No, sir; and as I understand the law is at present you can not compel them to mark. There is no law requiring the marking of meat in interstate commerce. That is one thing, I think, would come within the jurisdiction of this committee.

Mr. YOUNG. We have a cold-storage law now in conference, undertaking to enforce the marking of certain commodities that pass through cold storage. I do not recall whether it covers this particular matter or not, but the bill is now in conference.

Now, I want to state to this committee the effect that the condition of the stockman of Texas has upon the farmer in Texas. We raised a very, very large corn crop in Texas this year, and that corn crop goes into and is marketed through the feeding of stock largely, and unless the feeder can buy the corn and feed it to his stock the corn farmer loses, of course. Now, then, this situation has brought about a condition where the men who usually feed in our country on a crop of that kind are not going to feed; they can not feed in the face of a market of this kind. Therefore I take it that all persons, in view of this condition, all individuals, ought to get together and get behind these measures that will aid, not correct, this situation in so far as they will do so.

I will not take any further time of the committee. I am very thankful, indeed, for the opportunity to be heard.

Mr. McLAUGHLIN of Michigan. Just one question. Instead of an embargo, it has been suggested that there be a tariff duty imposed, and I have heard the suggestion that a resolution be put through Congress reestablishing one or the other of the old tariff laws; that is, the Payne tariff law, passed in 1909, or the Dingley tariff law, passed by the Congress in 1897. You are familiar, I suppose, with the provisions of each of those bills as they relate to wool?

Mr. THURMOND. In a general way, sir.

Mr. McLAUGHLIN of Michigan. Which of those laws do you think would be most satisfactory to the wool industry?

Mr. THURMOND. I think the Payne-Aldrich law would be the most satisfactory, would it not? Am I correct about that? However, I do not think the reenactment of those laws—by a joint resolution—that would be, would it not?

Mr. McLAUGHLIN of Michigan. I think so.

Mr. THURMOND. I do not think that would meet the situation at all, because the rates fixed in those bills were not fixed to meet an abnormal situation such as we have, and the rate is not high enough to meet the difference in exchange and to give us any kind of relief. That would give us some relief, of course, but it would not give us the relief provided for in the bills that I understand are now under consideration by the committees of Congress.

Mr. McLAUGHLIN of Michigan. Have you been before the Ways and Means Committee?

Mr. THURMOND. Yes, sir.

Mr. McLAUGHLIN of Michigan. And discussed this idea of reviving one of the old tariff laws?

Mr. THURMOND. No, sir; I did not discuss the idea or reviving one of the old tariff laws, but I discussed the enactment of measures—

Mr. McLAUGHLIN of Michigan. Just relating to wool and providing duties on wool; is that what you suggested to the committee?

Mr. THURMOND. Yes, sir; we only discussed the matter of embargo. The committee suggested that the reporting of a tariff bill giving us the relief that we sought would be best, raising the objection that an embargo would probably conflict with the provisions of our treaties with foreign countries or with some of the foreign countries; in other words, that there were treaty obstacles.

The CHAIRMAN. What have you to say to the suggestion that buying of foreign countries should be encouraged so as to put those people back on their feet, to enable them to pay their debts? You know there is quite an agitation over the country to do that, and coming from some very good farmers.

Mr. THURMOND. That is all very good, indeed, if we have not something at home to preserve; but let us put our home people on their feet first. That is what I think.

The CHAIRMAN. I readily agree with you.

Mr. THURMOND. If we are going to be put off of our feet at home—a fellow always feels he wants company, and if we are going to be wiped out we want them all wiped out.

The CHAIRMAN. You do not believe in bankrupting our own country to help some one else out?

Mr. THURMOND. No, sir.

Mr. YOUNG. I want to say to the gentleman I am in sympathy with the condition in which you find yourself at this time.

The CHAIRMAN. Thank you, Mr. Thurmond. We will hear Mr. Lyon next.

**STATEMENT OF MR. WILLIAM H. LYON, SIOUX FALLS, S. DAK.,
LAWYER AND MEMBER OF SOUTH DAKOTA HOUSE OF REPRESENTATIVES.**

Mr. LYON. I wish to address myself to the Christopherson bill, H. R. 14668, introduced by Congressman Christopherson and referred to your committee, with reference to the stabilization of the price of certain farm products; and also to House resolution 592, also introduced by Congressman Christopherson, reciting the present situation of affairs and also embracing the memorial that was unanimously adopted by the House of Representatives of the South Dakota Legislature, asking Congress to stabilize the price of certain farm products. This resolution was referred to the Committee on Rules, but certainly should be considered by your committee.

The CHAIRMAN. Do you care to have the memorial inserted in your remarks?

Mr. LYON. Not necessarily, but I wish to refer to it and ask you to take it into consideration.

There is one basic fact in this tremendous price demoralization that has resulted throughout the country to farm products which seems to have been almost universally overlooked. If it was not for our tremendous public and private indebtedness we might ultimately adjust ourselves to this new condition of affairs. A permanent reversion to prewar levels as these prices of farm products are to-day will ultimately drag down all other prices, including wages, to the same level. All values must ultimately be based upon the cost of producing food, wool, and cotton.

We have contracted during this war about \$25,000,000,000 of public obligations and billions of dollars of private indebtedness and all of this upon a basis of approximately three times prewar prices. If these values go back to a prewar basis it means practically trebling the public and private debt of the United States and its citizens, as it will take three days work, 3 bushels of grain, 3 pounds of wool, and 3 pounds of meat to pay what one day's work, 1 bushel of grain, 1 pound of wool, and 1 pound of meat would have paid at the time that indebtedness was contracted. This fact should not under any consideration be overlooked. It will be a public calamity, and precipitate almost universal bankruptcy upon all who are heavily indebted if you permit these prices to go back permanently to a prewar level.

I think you will all agree if there was some way by which we could guarantee to the producer a certain specified minimum price for his staple farm products that would at least cover the actual average cost of production, the whole question would be solved without credit extensions. The farmers would sell their crops and pay their notes at the bank, and make their own arrangements for additional credits

if they need any and will begin to buy all kinds of manufactured products. When they start buying once more the wheels of industry and commerce throughout this country will again start in motion, because to-day, when you have deprived those producers of a price that does not give them the cost of production, it withdraws them from the whole purchasing world. The result, as shown in the last few months, has demonstrated that the whole business and industrial world is dependent upon agriculture which is the basic industry of our land. When the farmer prospers, all the world prospers with him, but when he is doing business at a loss the whole business and industrial world trembles on the brink of bankruptcy.

The financial interests are organizing a tremendous corporation for the purpose of exporting our surplus farm products. What have we to export? The importation of wool into this country last year was about 440,000 pounds; the annual production of wool in this country is about 330,000,000 pounds. So that ordinarily we can produce less than one-half of our average consumption of wool.

Our 1920 crop of wheat was less than normal and at the present rate of exportation we will on January 1 next have five or six million bushels less than the 75,000,000 bushels which all economists say should, in safety, be carried over from one crop to the next, in addition to necessary requirements for food and seed, in order to provide for a possible shortage. So that, as a matter of fact, we have no wheat to export except what may come in from Canada.

Our average exports of corn for years past have only been about 50,000,000 bushels, and our average exports of oats have only been a little over 100,000,000. We raised last year about 10,000,000 bushels of flax and we always import more flax than we produce.

Mr. Barnes, in his address before the "committee of seventeen" at Chicago, on November 5, stated that in the four years prior to the war the average exportation of our grain crops amounted to only 3.8 per cent of the entire crop; but this insignificant surplus which we exported to find a market in competition with the products of cheaper lands and cheaper labor of other countries and was sold at the general price level of the world—that little dinky surplus controlled the price of the remaining 96.2 per cent of the crops that was consumed at home. Now that is certainly a shining example of the "tail wagging the dog."

We can readily understand that if England should say, "We will pay you a certain specified price for all the corn, wheat, flax, and oats you export abroad to Liverpool during the coming year" that this would automatically raise the price of all the remainder of this crop which we consume at home. But we do not seem to understand how the United States, the richest country in all the world, can do the same thing on this side of the ocean by simply guaranteeing to the farmers of this country a certain minimum price for the surplus crop on hand at the end of the crop year. That is what is proposed in this Christopherson bill with reference to these four products that I mention. And ultimately it should be applied, when we get a general stabilizing bill, to wool, sugar, rice, and other staple farm products.

With reference to flax, the Government can supervise imports and guarantee to the farmers any reasonable price for the surplus flax left over at the end of the crop year, and there won't be a bushel of

flax left on hand, because we will have to import millions of bushels to comply with our requirements. The price of wool can also be stabilized by this Government without having the Government put up a single dollar by deferring the date of purchasing the surplus until our manufacturers have time to utilize the tremendous supply recently imported from abroad.

This bill provides, in effect, that the Government guarantee a specific price for all wheat, corn, oats, and flax left on hand at certain central terminals at the end of the crop year, and won't interfere with the usual course of trade or the ordinary movement of the crops. The Government simply says, "We will pay that amount for all the surplus there is at that time, and we will either hold it over to provide against a crop shortage or make other disposition of it, as may seem best."

Mr. TINCER. Would you be in favor of applying that to other products as well as wheat, corn, and oats?

Mr. LYON. As a permanent policy, I think it should be applied to all staple (nonperishable) farm products.

Mr. TINCER. How about cattle and sheep?

Mr. LYON. I am not clear how it could be done so far as cattle and sheep are concerned, but by fixing the price of certain crops that are used for feed it will, to a certain extent, automatically stabilize the cost of meat production. The farmer now starts feeding his hogs or cattle on corn that is worth, say, 40 cents a bushel, and which may be worth \$1.50 before he gets through, and the higher the price of feed goes up, the lower the price of cattle and hogs goes down. Stabilizing the price of these food products would, therefore, tend to stabilize the cost of meat production.

Mr. TINCER. Did you ever read the report made by the Congressional Library over here on the history of price fixing?

Mr. LYON. I have not.

Mr. TINCER. You know they disclose it is not a new subject. It started some little time ago, and has been a failure by all the Governments who tried it, and I wondered if you had figured out why, having proved a failure by other Governments, it would be a success here.

Mr. LYON. I am very glad you mention that. There has been an attempt for centuries past to fix prices, as you say, but it has been done by the Governments for the purpose of keeping down the price the producer received. But there has never been an attempt in all history, so far as I know, except during the last war, to guarantee to the producer an adequate price for his crop. And that was a war measure.

Mr. TINCER. The price of what commodity was fixed during the last war and raised the price?

Mr. LYON. The price of wheat was fixed, but, as a matter of fact, instead of being a guaranty to the farmer, it was a positive reduction to the farmer of at least a dollar a bushel on what he would have received.

Mr. TINCER. That was history repeating itself; that is the history of price fixing. I thought, having given this subject a lot of thought and being friendly to the Christopherson bill which is price fixing, maybe you could point out to us the reason for the failure of price fixing in other countries.

Mr. LYON. Am I not correct in stating that all previous attempts have been to reduce prices?

Prof. WILSON. That was true during the war. They fixed the price of wheat and it cut the price down.

Mr. LYON. Wheat was put at a dollar less than the prevailing price, and the farmers suffered a loss.

Mr. TINCHER. The farmers have always suffered a loss in price fixing.

Mr. LYON. Yes. But this stabilizing plan is not price fixing; it is simply for the Government to say that whatever surplus you have on hand at the end of the crop year it will buy and pay you a certain price for it if you wish to sell.

Mr. TINCHER. Some one claimed when we passed this wheat bill that it was not price fixing; that it was a guaranty of so much.

Mr. LYON. Although they called it a guaranty, as a matter of fact no one ever got more than that price, except for seed. They made some provisions, I believe, with reference to seed in the administration of the law.

The CHAIRMAN. The price made by Congress was made the maximum.

Mr. LYON. Yes; in practice it was. See what a wonderful benefit this stabilization plan would be for business in general. Suppose the woolen manufacturer, the cotton manufacturer, the linseed-oil maker, the oatmeal producer, the millers, and all who use raw products from the farm could be assured of a stable price for these products during the entire season, gradually increasing a little from month to month to cover storage charges. Don't you see how much more safely each manufacturer could conduct his business? By eliminating the risks of fluctuation from speculation in those products he could conduct his business a great deal more safely with less capital and upon a smaller margin of profit. Many of our manufacturers are loaded up with high-priced raw materials and are bound to suffer a great loss thereby. They do not always know when to buy at the cheapest price, nor does the producer always know when to sell at the highest price. What the whole business and industrial world needs is stability. If you know that a certain price will be reasonably stable and permanent, you can adjust yourself to almost any sort of conditions.

We have the richest country in the world. We have three-quarters of all the gold in the world; we are a creditor nation with \$10,000,000,000 owing to us from foreign countries as a public debt, and about three billions of private debt. We have an enormous crop bursting our granaries and need of hundreds of thousands of additional homes and thousands of miles of streets and highways to be constructed. The whole railroad system of this country needs reconstruction and no limit to the amount of general improvements that should be made. And yet millions of people are out of employment, and the whole agricultural world, as well as a large part of the business and industrial world, is trembling on the brink of bankruptcy. Does not that show there is something radically wrong?

Mr. YOUNG. If I understand the resolution in favor of which you are speaking, it is really a price-fixing resolution. You have some kind of a measure passed by Congress by which the Government would take over the surplus of any crop at the end of the crop

season for that year, and pay a certain price for it, which would relate back and fix the price of the entire crop.

Mr. LYON. Yes, sir.

Mr. YOUNG. Has this thought occurred to you, that Congress is simply a bunch of men sent here by the various districts, by the people of the United States, and statistics will show the population of the country is rapidly trending cityward and there are but one-third of our people actually owning and operating farms producing this raw material, whether wool, cotton, sheep, or whatever it is, and that this Government, composed of legislative and executive branches, are elected by the people and supposed to respond to the wishes of the people, and that the great majority of those people, to whose wishes they are responding, live in the consumptive centers and want these cheap raw materials coming from the farms? Would not the farmer get the worst of the situation if your policy was adopted and that majority of sentiment require in both branches of Congress, in responding to the great sentiment of the consuming section, that we fix the price referred to at such a sum as met with the approval of the people in the consuming instead of in the productive centers? Is not that the evil in your proposal?

Mr. LYON. I am glad you mention that. Of course, what is proposed in this Christopherson bill is only an emergency measure to take care of these four food crops for the present year. As indicated in the memorial adopted in the house of representatives of our State, there ought to be a permanent stabilization act passed that would stabilize the price of all these staple farm products, which would be done by the commission that is to be appointed by the President, and would fairly represent not only the producers but the consumers as well. I do not think that the producers ought to absolutely dictate the price they should get for their products. If they did they would be as big profiteers, probably, as there are in other lines of industry. Nor do I think consumers should be given that right. The Government should, of course, guarantee to farmers at least the average cost of production.

Suppose too low price is placed on wool for instance, so that wool producers think they can not grow wool for such a price. They will then fatten their sheep and sell them and raise corn, cattle, or oats, or something else. It will enable the farmer to utilize his ability and his land for the best purpose for which both are adapted and, in that way, he can make his own choice. If the farmer could only know before he plants his crop how much he is going to get, he would know what to do with his land and to use it. Now, when he gets a crop he does not know what to do with it. He does not know whether to hold it for a higher price like my wool friend over here or whether to sell it for fear prices will go down. Under this plan he is assured of a stable price for these products during the whole season and increasing only a little from month to month to cover the cost of storage. Now, he seldom gets a good price except when the roads are bad or the elevators congested or there is a car shortage, so that he can not deliver his stuff; but under this plan he would get just as good a price when the roads were good as when they were bad. This particular bill is for immediate relief simply for these four products and for the present crop. If you can secure the passage of this bill you will enable these farmers to get an adequate price for their

products on hand and the whole question, so far as this year is concerned, is settled.

Mr. McLAUGHLIN of Michigan. How much money would it take?

Mr. LYON. In the case of wheat—as I said before, there is scarcely any we should export, and possibly the Government might have to take care of 75,000,000 bushels or so—whatever would be necessary for the safe carry over to next year. And with flax there would not be a dollar the Government would have to pay, because we import more flax than we produce, and with corn and oats the average surplus is so insignificant that the amount the Government would have to invest would be comparatively small, and all would be eventually repaid. My idea is that food products ought to be largely financed by the Government on warehouse receipts, both for benefit of the producer and to prevent speculation in food products. You can issue your promissory note and go to the banker and he can send it to the Federal reserve bank and get 60 per cent of money issued on that note.

Mr. TINCER. He used to be able to do it.

Mr. LYON. The law still allows it to be done, I believe. What better security on earth is there than a warehouse receipt for a product that must be consumed in order that humanity may exist? Has it not got your promissory note and mine and all the notes and chattel and real estate mortgages in the world beat off the map as an absolutely safe security?

Mr. McLAUGHLIN of Michigan. You will recall that when Congress passed the law to carry out the wheat guaranty proposition that a billion dollars was appropriated, anticipating it would cost the Government some money, possibly a billion dollars? It did not cost the Government anything, because, just as you have shown, the market price of wheat naturally was above the guaranteed price. What assurance have we that the market price of these products would be up to the guaranteed price?

Mr. LYON. As a matter of fact the United States Grain Corporation instead of losing half a billion dollars, as the President anticipated, actually made, so Mr. Barnes informs me, something over \$50,000,000. The Grain Corporation bought the grain at the minimum price and sold it an advance. Under this plan the Government does not interfere with the ordinary movement of crops—it does not buy a bushel of grain until just before the new crops come in, and then it simply takes whatever surplus there is on hand at certain central terminal elevators and pays that price for it, and either exports it or holds it over against the possibility of a certain shortage. You remember that they did that in Egypt: A young fellow named Joseph went down there and stored the surplus crops for seven long years and kept the Egyptians as well as the Jews from starvation in the seven years of famine. I suppose they were worried tremendously about the surplus, just as we are now; but there is always a time when it is needed.

The surplus with us is so extremely small that the financing required by the Government would have to be comparatively insignificant. Even if it required the temporary use of a billion dollars, that is a matter of insignificant importance compared with the disaster that will result if you allow these prices to revert to prewar conditions. The diminished public revenue that the Government will

lose if present conditions continue will be far more than sufficient to finance these surplus crops.

Mr. JACOWAY. Suppose the law you are championing now should be placed upon the statute books to-day and guarantee a price on all these commodities mentioned in that bill: Don't you think that situation would have to be met on the part of the farmer with this condition of affairs, that everything he has to buy when he purchases his supplies would automatically go up, so that in the end he would find himself about where he started?

Mr. LYON. The price has already gone up, and he is paying to-day at least three times what he paid under prewar conditions, and he has produced this present crop here under these high prices. Instead of paying \$20 a month for help, he has been paying \$75 and more; instead of buying harvesters at the old price of \$100 to \$125, he has had to pay from \$400 to \$500 for them, and he has notes in the bank on that basis and is now selling his crop at the old prewar prices. These prices specified in this bill are believed to cover only the average cost of production. I think they are too low. The prices the farmers receive would not be the prices specified there, because out of that transportation and carrying charges must be paid.

Mr. TINCER. Now, you are advocating one way of legislating on this agricultural proposition. Mr. Christopherson introduced this bill, but he has not been before the committee. You represent him?

Mr. LYON. He introduced the bill at my request.

Mr. TINCER. It is a bill introduced by request?

Mr. LYON. Yes; and in accordance with the memorial. I was a member of the South Dakota Legislature that adopted the memorial. Mr. TINCER. And you feel you speak the sentiment of South Dakota?

Mr. LYON. I am a member of the legislature, and it was adopted unanimously by the house of representatives. The plan has also been approved by the Sioux Falls clearing house and the State bankers' executive committee of South Dakota, whose president wired Mr. Christopherson to that effect [a copy of the telegram being subjoined hereto].

Whatever you do should be done at once. If you delay for two or three months the tenants, who produced these crops, will have to sell at a ruinous price and they will get into the hands of speculators, and ultimately a high price may result and a large number of tenants will have to go out of business. You certainly should guarantee those people a reasonable price, because they raised those crops under the propaganda that went out from authoritative sources urging the farmers to increase production and raise the biggest crops possible. It seems to me that you owe it in fairness to them. And you need not worry about the effect on the price of food; 60 cents additional, gentlemen, on a bushel of wheat amounts to less than 1 cent on a pound loaf of bread. Now, what workman is there in all the world who would object to an additional cent in the cost of a pound loaf of bread going to the farmer who produced it? It means jobs for those workmen when these farmers begin to buy and all the wheels of industry that employ these workmen will start once more, and the workmen will have jobs and have the money to buy this bread and wool and meat and other commodities.

May I ask you to kindly refer to the detailed figures, which I gave to the Senate Committee on Agriculture on Monday and Tuesday last, as I went into the matter more at length with them and would be very glad, indeed, to have you refer to these figures?

The CHAIRMAN. Can you give us an estimate of the probable cost of carrying out the provisions of this bill for taking over the surplus?

Mr. LYON. My estimate was that a \$250,000,000 loan from the Federal reserve bank, referred to in the Christopherson bill, should be ample to care for the surplus grain crop of the present year.

The CHAIRMAN. How much would have to be added to it if cotton was included?

Mr. LYON. The financing of the cotton surplus would be more difficult, perhaps, than all other crops combined.

The CHAIRMAN. In that connection give us your estimates, if you have them.

Mr. LYON. I could not give you an estimate, but all importations of stabilized products would of course be made by the United States Grain Corporation or other agency which would buy the needed imports abroad at the lowest possible price and sell them to our own manufacturers at the stabilized price. This difference in the case of flax, wool, and sugar—of which we necessarily import large amounts would add an exceedingly large sum as public revenue so badly needed by the Government.

There is a peculiar feature about cotton. Senator Hoke Smith was very much interested in my remarks on that before the Senate committee, and seemed to agree with me fully.

The CHAIRMAN. We are exporting 2,000,000 bales of cotton.

Mr. LYON. Our average exportations are much greater. Cotton, however, is not embraced in this bill nor is wool.

The CHAIRMAN. But cotton has been suggested?

Mr. LYON. Yes; and it ought to be in the permanent act. When we get a permanent stabilizing act, I think wool and rice and cotton and sugar should also be included.

Mr. McLAUGHLIN of Michigan. What do you mean by "permanent bill." Do you mean to put this on the statute books to remain for all time?

Mr. LYON. Yes; in a general stabilizing act the commission appointed by the President would fix the guaranteed price of these surplus products at the beginning of the year before the crops are planted.

The CHAIRMAN. But the bill fixes the price.

Mr. LYON. Yes; on account of the emergency, but as a permanent policy they should be fixed by a commission. I am doing this for quick action, so that immediate relief could be granted and at a price that would be somewhere near the cost of production.

Our net imports of sugar amount to about 6,000,000,000 pounds a year over and above our exports and our own production. It is evident that the Government could guarantee the price of sugar to this country without having to put up a single dollar.

Mr. McLAUGHLIN of Michigan. You do not mean 6,000,000,000 pounds?

Mr. LYON. Six billion pounds of sugar that we import. I have the estimate here from the Bureau of Statistics. Not tons, but

pounds. Six billion pounds of sugar is approximately the net amount we import, and if we were to produce that in our own country it would take about three and a half million acres of land to grow it. So that so far as sugar is concerned it is a matter that is as easy as rolling off a log for the Government to guarantee a minimum price to the producer.

The production of cotton last year was about 12,500,000 bales, was it not?

Mr. YOUNG. Approximately.

Mr. LYON. And the average exportation of cotton amounts to about 7,000,000 bales?

Mr. YOUNG. Normally, about 65 per cent of the cotton crop is exported.

Mr. LYON. We produce in the United States more cotton than all the rest of the world, and not only that, we have almost a monopoly of the cotton that is used for clothing. Is not that correct? At least, Senator Hoke Smith tells me that is the case—and I assume he is an authority upon cotton. We have practically a monopoly of cotton necessary for clothing. The world must have this cotton. England, in the Civil War, almost linked her fortunes with the Confederacy in order that she might have cotton for her mills in Lancashire. If this country should guarantee a minimum price for cotton the world, in order to get that cotton, must come and buy it, and it has no other place to get it. Now, suppose each of you 10 gentlemen here have 10,000 bushels of wheat each and I have to buy 100,000 bushels. You know I have to buy it, and the only available place to get this wheat is from you 10 gentlemen, who have 10,000 bushels each; and five of you, we will say, have withdrawn your wheat in a way that you must have a fixed price for it and it can not be changed. That 50,000 bushels of wheat in the pool can not be sold for less than a certain price, and you all know I must buy it and pay that price for it.

Now, don't you see that these five gentlemen not in the pool will not sell me their wheat for any less than you gentlemen in the pool require for yours? They will say their wheat is just as good as yours; will insist upon the same price. And so it will be with cotton. If you can get the market for cotton stabilized and the price for the surplus guaranteed by the United States you will find that cotton all over the world, of a similar class, will go to the same price. Is not that correct?

Mr. YOUNG. I do not think so.

Mr. LYON. Senator Hoke Smith agrees with me on that.

Mr. YOUNG. I have disagreed so far with your position that when we had up the food-control laws an amendment I offered kept cotton out of the food section of the law.

Mr. LYON. Of course, we all congratulate our southern friends with having been able to prevent a price being fixed on cotton, and you are certainly entitled to great credit for it, and I wish you had looked after the interests of the wheat growers also.

Mr. YOUNG. It made it more difficult for the wheat grower and I tried to get him to see it my way.

Mr. TYSCHER. Of what political faith is the Legislature of South Dakota?

Mr. LYON. This resolution was adopted unanimously. There were about 10 members of the Non-Partisan League and 2 or 3 Democrats, and the remainder were Republicans.

Mr. McLAUGHLIN of Michigan. When?

Mr. LYON. In the month of June of the present year.

Mr. TINCHER. That was before the President suspended the Grain Corporation?

Mr. LYON. No; he had arranged to disband it on the 1st of July, I think.

Mr. TINCHER. This resolution here recommends relief by reestablishing the Grain Corporation.

Mr. LYON. It was simply intended to use the Grain Corporation as a tool to carry out the provisions of the act. The War Board or any other organization you might create would answer the purpose. When you adopt a permanent plan it should be administered—in my judgment—under the direction of a commission appointed by the President.

Mr. TINCHER. You spoke about corresponding with Julius Barnes about this. Does he O. K. this bill?

Mr. LYON. Of course he does not. He believes in the old system, evidently, of letting the tail wag the dog and letting every fellow look out for himself and the devil take the hindmost.

The CHAIRMAN. Thank you, Mr. Lyon.

(The telegram and House resolution 592 referred to by Mr. Lyon are as follows:)

SIOUX FALLS, S. DAK., December 4, 1920.

HON. C. A. CHRISTOPHERSON,

House of Representatives, Washington, D. C.:

The agricultural and live stock interests of this country are in peril. The prices have been reduced far below the cost of production. If farmers are forced to sell their grain at the present prices, many of them will be bankrupt. If the stock raisers are forced to sell their immature stock the herds will be depleted and the stock industry jeopardized. It is the judgment of those best posted and in close touch with these interests that Congress should immediately legislate guaranteeing to the agriculturalist a minimum price for his surplus crop and to do this while the crop is still in his hands. If such a price could be fixed for at least the cost of production, which should not be less than \$1 per bushel for corn, 75 cents per bushel for oats, \$2.25 per bushel for wheat, and \$3 per bushel for flax at terminals. This we think would immediately stabilize prices. This price or a price which should be deemed fair to all should, in our opinion, be made to cover the surplus grain on hand at the end of the crop year. There may be other plans that will save the producer from bankruptcy, but it is essential and important that something be done at once, as otherwise there is no inducement to the food producer to crop his land next year even if he were able to do so. Such legislation as suggested or some other plan if thought better that will give immediate relief should meet the approval and practically the unanimous consent of Congress. In our judgment proposed extension of credit will not meet the present crisis. Our producers will be able to partially liquidate their indebtedness if they could secure for their products the cost of production. Agriculture is the greatest and most important basic industry and the stabilization of the price for staple farm products will also be of tremendous benefit to the business and industrial world. It is urged upon you as a representative of the great agricultural State of South Dakota that you use all means at your command to hasten legislation as indicated.

JOHN W. WADDEN,

President State Bankers Association.

[H. Res. 592, Sixty-sixth Congress, third session.]

Whereas the recent tremendous fall in the price of farm products has proven disastrous not only to agriculture, but to the various lines of business and industry dependent thereon; and

Whereas if the price of staple farm products could be stabilized it would not only benefit agriculture, but be equally beneficial to the manufacturers and consumers of those products and go far toward stabilizing the cost of living; and

Whereas if prices are permitted to revert to the prewar levels the present public and private indebtedness will be increased nearly threefold, as it will then require from two to three days work and from two to three bushels of grain to pay what one day's work and one bushel of grain would have paid when the indebtedness was contracted; and

Whereas the South Dakota House of Representatives on June 28 last unanimously adopted a memorial requesting Congress to stabilize the price of staple farm products, as follows:

"Whereas it is self-evident that a civilized nation should no longer permit the prices of wool, cotton, and food products to be fixed or manipulated by speculation and without regard to the cost of production; and

"Whereas all other producers know in advance the approximate prices they can obtain for their products, but the farmer when he plants his crop or begins preparing his stock for market has no assurance that his products, the most important of all, being absolutely necessary for the existence of humanity, will even repay the actual cost of production and frequently these producers suffer immense losses, millions of dollars having been lost during the past year by our farmers in the preparation of cattle, hogs, and sheep for market; and

"Whereas if the prices of staple farm products were stabilized by the General Government, it would add immensely to the stability and security of agriculture, and be equally beneficial to the ultimate consumer; and

"Whereas it is our belief that the stabilization of such prices could be accomplished in such a manner as would require the National Government to finance only the surplus, which is usually small compared with the entire crop; but the stabilizing of this surplus will fix the price of the entire crop, and if any surplus should prove too large for profitable disposition by the Government the prices for the following year should be reduced and the prices of other products increased, thereby resulting in the increase of any crop in which a shortage may exist; and

"Whereas under the present system gambling and speculation are deemed necessary to make a market, but the fluctuations are so great that frequently from 50 per cent to 100 per cent is added thereby to the price of such products after leaving the farmer's hands and before preparation for use, all of which is lost to the producer and paid for by the ultimate consumer; and

"Whereas the stabilization of the prices of certain agricultural products will automatically assist to a great extent in stabilizing the cost of meat production: Now, therefore, on behalf of the farmers and stock raisers of South Dakota and of the entire Nation,

"We urgently request the Congress of the United States to enact a law requiring the President of the United States through a commission of experts fairly representing both the producing and consuming public, to fix and guarantee the prices of such farm products, thus assuring the producer a fair and reasonable price for his products and automatically eliminating gambling and speculation therein";

Now, therefore, be it
Resolved That the Committee on Agriculture is hereby instructed to prepare and submit for the consideration of this House at as early a date as possible a practical measure for the stabilization of the price of leading staple farm products in case the committee shall deem such stabilization practicable either by having the National Government guarantee a minimum price for such surplus products or through such other method as by the committee may be deemed best.

Mr. O. M. KYLE. Mr. Chairman, I have here a copy of the report of the resolutions committee of the American Farm Bureau Federation in assembly at Indianapolis, Ind., December 8, 1920. Would the

committee care to have this inserted in the record in connection with this hearing this morning?

The CHAIRMAN. Without objection, a copy of the resolutions passed by the resolutions committee of the American Farm Bureau Federation will be printed in the hearings.

(The said report follows:)

REPORT OF THE RESOLUTIONS COMMITTEE OF THE AMERICAN FARM BUREAU FEDERATION IN ASSEMBLY AT INDIANAPOLIS, IND., DECEMBER 8, 1920.

The delegates to the Second Annual Convention of the American Farm Bureau Federation congratulate the officers and members on the rapid and substantial growth of the membership during the past year. The federation is now, both in financial support and in number of members, the strongest organization of farmers which has ever been built up in this country. This growth in membership and in financial support brings to us great responsibility. We realize that our growth has been due mainly to the expectation of our members that a large, well financed farmer's organization can do more to secure for them economic justice than has ever been done in the past.

We realize that our chief mission is to promote the interests of our members, and that if we should fail in measuring up fully to our opportunity and duty in this matter the life of the federation will be in jeopardy.

We commend the aggressive manner in which the executive officers have furthered the work of the organization. We highly approve of the plan of departmentalizing the work and suggest that the incoming board proceed with the plan as outlined. We pledge our incoming board our whole-hearted support in the carrying out of their work which has thus far been so nobly advanced by the present officers.

In order that they may be more fully advised and that the country at large may know our position we hereby submit the following:

Be it resolved, That the permanency and dignity of agriculture as well as the stability and happiness of country life is in a large measure dependent upon the quality and inherent strength of the farm homes. The influence of this organization which is a potent factor in our national life will be materially extended and reflect itself over rural America in a more significant manner by the admission of women to membership, and they are invited into full participation in the task of advancing the cause of American agriculture. We welcome to our councils the farm women of our Nation and pledge our full cooperation in such programs for the advancement of our common purpose as shall be within the scope of this organization's activities in its endeavors to promote the welfare of country life.

That there should be no further delay by the American Farm Bureau Federation in the establishment and adequate financing of a bureau of research with subdepartments for the purpose of collecting and interpreting facts and figures dealing with the production of farm crops and live stock, and for the fullest inquiry into conditions which influence the law of supply and demand, to the end that our members may have reliable information and guidance in the production and marketing of their commodities.

The need of rural personal credits is important. We recommend that the American Farm Bureau Federation through its legislative bureau give due consideration to the subject.

We recommend that the farm bureaus of each State and county give attention to taxation questions and suggest that committees be appointed for that purpose; and further urge that the American Farm Bureau Federation legislative department give special attention to Federal taxation in order that heavy burdens of taxation may not be unjustly apportioned.

We indorse the work being done by the "farmers' marketing committee of seventeen," and approve the demand which they have made that the grain exchanges be opened to cooperative commission companies, and demand a similar privilege for the live-stock cooperative commission companies for the live-stock exchanges.

We request the prompt enactment by Congress of such legislation as may be necessary to bring under Federal inspection, supervision, and control all interstate agencies which prepare for consumption meat and grain products.

We respectfully request of the Department of Justice and the Federal Trade Commission that no action be taken on any plan for the disposal of the stock yards until the "committee of fifteen" has had an opportunity to examine all such propositions.

We strongly commend the agricultural policy of a self-sustaining Nation as advocated in the public utterances of our incoming President, and respectfully request him to appoint as Secretary of Agriculture a man who is in full sympathy with this policy and who has a thorough and practical understanding of farming in its different phases.

We approve the provisions of the Federal farm loan act for the making of farm loans through the Federal land banks under a cooperative plan to actual farmers for agricultural purposes. We demand an amendment to the Federal farm loan act increasing the loan limit to \$25,000.

We reiterate our sympathy is with the laboring man, and we will do everything in our power to aid him to secure just wages and fair working conditions for efficient services rendered. We are, however, concerned in assuring orderly and lawful protection to every citizen, and we are unalterably opposed to organized strikes and sympathetic lock-outs which interfere with the orderly conduct of business.

We respectfully request the Interstate Commerce Commission to recognize the need for preferential rates on agricultural limestone, rock phosphates, and fertilizers for selling purposes.

We recommend to Congress a liberal increase in appropriations to be expended in conjunction with similar appropriations from the States for the eradication of live-stock tuberculosis, and for the eradication or control of the pink bollworm.

We are unalterably opposed to the Pittsburgh plus plan as a basis for steel prices, or the appliance of this principle in fixing prices of other commodities, and request a ruling by the Federal Trade Commission that will stop such practice.

We demand of Congress the adoption of such amendments to the interstate commerce act as amended by the Esch-Cummings bill as shall preserve the powers of the several States to regulate the rates and practices of carriers relating to local transportation and distribution of cars, and as shall confine complaints before the Interstate Commerce Commission against such rates, regulations, and practices upon the ground of alleged discrimination to persons and localities injuriously affected thereby.

We denounce as un-American the principle and are opposed to guaranteeing a fixed return to public utilities and railroads on a cost-plus basis.

We insist that in fixing the value of property of transportation systems that the commercial value of such property should be at least some indication of its real value and we protest the action of the Interstate Commerce Commission in fixing the value of such properties at \$5,000,000,000 in excess of their commercial value as an unjust imposition on the American people.

We reiterate our unalterable opposition to the enactment of any kind of a daylight-saving law applying to the country as a whole or in part.

We demand of Congress the prompt enactment of a law which will compel clothing and fabrics containing shoddy or other substitutes for virgin wool to be plainly marked as such.

We demand of Congress the simplification of the income-tax law. This law should be made so plain that its intent can not be misunderstood and all opportunity for its interpretation by administrative officers should be eliminated.

We demand of Congress rigid economy in the administration of Government and prompt reduction in public expenditure. We especially insist that there shall be no further delay in the demobilization of the vast number of clerks employed to meet war conditions.

We demand the appointment of farmer representatives on all public boards and commissions.

We declare that the farmer is entitled to compensation for his services equal to actual cost of efficient production, and a reasonable return upon his capital invested, and we pledge our efforts to bring about these results.

There should be no further delay in the enactment of such national legislation as may be necessary to assure the farmers of the Nation the full, free, and unrestricted right to bargain collectively.

The work of the Bureau of Crop Estimates and the Bureau of Markets of the Department of Agriculture should be strengthened to include more adequate

study of domestic conditions and further extended to include the fullest investigation in foreign countries of both production and demand; that there be established a world market news service which will give the American farmer adequate knowledge of production demands and prices; and urgently request of Congress appropriations to the Department of Agriculture sufficient to properly carry on its work.

We urge upon Congress the enactment of such legislation as will effectively prohibit the practice of short selling in agricultural products.

We favor the construction of a Great Lakes-to-the-sea deep waterway route.

We are opposed to the policy of drastic and precipitate deflation, which seems to have been instituted by our Federal reserve board and our Treasury Department, and look upon it as dangerous to the best interests of the entire Nation during the present crisis. Reasonable contraction was necessary but drastic deflation as now practiced has caused widespread disaster.

We request of Congress the enactment of a tariff law at once which will give to the farmers of America that measure of protection which may be necessary to equalize the difference between the costs of production of farm products in this country and the cost in competing nations, where land is cheap and living conditions far below the standards which prevail in the United States.

We highly commend the good work of the home demonstration and country agricultural agents, the agricultural extension departments and the experiment stations, and we pledge our hearty cooperation to them in the furtherance of their work along practical agricultural lines.

We request the sincere cooperation of all banking and commercial interests in our effort to get immediate relief from the present economic crisis by the extension and renewal of farmers' obligations in order that there may be orderly marketing of this year's crops.

We invite all other farm organizations to cooperate with us to the fullest extent in our efforts to promote and safeguard farm interests.

RESOLUTION PRESENTED SEPARATELY TUESDAY EVENING, ADOPTED, AND TELEGRAPHED TO THE FEDERAL TRADE COMMISSION AT WASHINGTON.

Whereas the maintenance of the Pittsburgh plus schedule of prices by the United States Steel Corporation and other companies on rolled-steel products is based on a fictitious freight cost or other arbitrary regardless of the source of the raw product and regardless of genuine bona fide differences in cost specifically stated in the Clayton law, thereby producing unjust discriminations that hamper and retard the industrial development of the West and South, and restrain the growth of free competition along natural lines, which constitutes our only protection against excessive prices on farm implements and machinery: Therefore be it

Resolved, That we earnestly petition the Federal Trade Commission to grant the applicants' request for an investigation of said practices, and that we may be permitted to intervene in such investigation, as provided by law.

MR. KYLE. Would the chairman care to have these additional resolutions inserted in the record?

THE CHAIRMAN. Without objection they also may be printed in the record.

(Said resolutions follow:)

Resolved, That we deem it morally wrong and highly detrimental to the interests of agriculture and the consumers to permit the practice now in vogue of selling grain, cotton, and other farm products which the seller or his principal do not own at time of sale. This practice is commonly known as "short selling."

Resolved further, That we do hereby petition Congress to enact such legislation as will stop this practice at the earliest possible date.

THE CHAIRMAN. Thank you, gentlemen. The committee will now adjourn.

(Thereupon the committee adjourned until further call of the chairman.)

END OF
TITLE